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25X1A

S U M M A R Y

SOVIET UNION

- 1. Comment on Malenkov's speech to the Supreme Soviet (page 3).
- 2. Coordinated statement by the Joint Atomic Energy Intelligence Committee on Malenkov's claim that the USSR possesses a hydrogen weapon (page 5).

FAR EAST

- 3. Japanese Communist front activity may presage Soviet overture on prisoner of war issue (page 5).
- 4. Comment on the North Korean purge (page 6).

25X1

WESTERN EUROPE

- 6. USSR proposes bilateral talks with France on German problem (page 7).

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25X1A

- 2 -

25X1A

9 Aug 53

SOVIET UNION

1. Comment on Malenkov's speech to the Supreme Soviet:

25X1A

[redacted] Malenkov's speech to the last session of the Supreme Soviet reaffirmed the policies effected by the new regime since Stalin's death and indicated his pre-eminence among the top leaders. Emphasizing the necessity for improving the welfare of the Soviet people, Malenkov assured them and the world that a reduction of international tension through negotiation was both possible and desirable.

Malenkov described the material welfare of the population as "the main task" of the current Five-Year Plan. He stated that production of consumer goods will be increased "at the expense of other sectors" of the economy.

Heavy industry will continue as the prime objective of economic development. [redacted]

25X1

[redacted] indicate that plan goals for three basic industries, coal, oil and electric power, will not be met in 1955.

The reappointment of Presidium member M. Z. Saburov as head of economic planning suggests that he is considered the most experienced and capable administrator for carrying out the considerably modified objectives of the Five-Year Plan and for the further reorganization of economic ministries which Malenkov indicated was under consideration. The fact that the Supreme Soviet was not asked to ratify the plan is further indication that it will be kept under constant review.

In outlining the government's drive for greater consumer goods production, Malenkov placed particular emphasis on increases from the agricultural sector. These are to be accomplished by new conciliatory measures to the collective farmers that contrast sharply with Stalin's plans for the Soviet peasantry. To increase their incentive, the state will pay the farmers more for their produce and will demand smaller obligatory deliveries from their private plots.

- 3 -

25X1A

[redacted] 9 Aug 53

With regard to foreign affairs, Malenkov reaffirmed the conciliatory post-Stalin policy for reducing international tension. At the same time he called upon foreign governments to meet the USSR half-way and served notice that the present Soviet power position will be defended.

The main overtures were made to countries bordering on the Orbit for a bilateral improvement of their relations with the USSR. The statements on Italy and Japan were tailored to exploit local dissatisfaction with American-sponsored export controls and US military influence. Malenkov underlined Soviet willingness to expand trade with all countries.

The premier also reaffirmed the value of negotiations with the Western powers, but made no specific proposal for talks and gave no hint that there would be concessions. He advanced a particular bid to France to solve its problems concerning Germany and the European Defense Community by bilateral arrangement with the USSR.

Malenkov's treatment of the recent "Berlin provocation" may have been intended to serve notice that the USSR will defend the East German government and implied a warning against interference in the Orbit.

The timing of Malenkov's claim concerning the hydrogen bomb probably reflected a desire to assert to the world and the Soviet people that neither internal stresses, such as Beria's purge and the current unrest in the Satellites, nor the present emphasis on conciliation were indications of a weakness of the new Soviet regime.

2. Coordinated statement by the Joint Atomic Energy Intelligence Committee on Malenkov's claim that the USSR possesses a hydrogen weapon:

25X1A

[redacted] Up to 1530 EDT, 8 August 1953, no Soviet explosion of a full scale or intermediate thermonuclear device has been detected. We do not consider that a militarily significant weapon exists until such a test has been conducted.

A capacity exists in the USSR for the limited production of the critical materials required for a thermonuclear weapon. The fundamental thinking regarding the thermonuclear reaction is known to the Soviets and they have the technical competence to have carried on advanced research. A field test of a device involving a thermonuclear reaction is within their capability at any time.

However, we have no evidence of a high priority effort in the thermonuclear field. The Malenkov statement may be pure propaganda, or it may be inspired by the attainment of a specific stage of development short of an actual test.

FAR EAST

3. Japanese Communist front activity may presage Soviet overture on prisoner of war issue:

25X1A

[redacted] Japanese Communist front organizations recently have begun whipping up the issue of returning Soviet-held Japanese war prisoners in a manner which the American embassy feels may foreshadow a Soviet move on this question. The embassy believes recent Communist gestures are designed to test Japanese policy and American reactions to possible closer Japanese-Soviet relations.

25X1A

[redacted] 9 Aug 53

Japanese officials thus far seem cautious, but the embassy doubts that Japan would insist on a formal treaty as a condition for specific trade or prisoner of war negotiations.

Responsible Japanese officials apparently believe that a formal Soviet request for negotiations may soon be forthcoming.

4. Comment on the North Korean purge:

25X1A

The identities of the twelve North Korean leaders convicted for treason on 7 August indicate that the North Korean purges are aimed primarily at an important part of the domestic faction of North Korean Communist leadership. This group, the South Korean Labor Party, has in the past been chiefly responsible for guerrilla activities against the Rhee government.

The convictions may represent a shake-up of the agencies responsible for penetrating South Korea in view of their previous lack of success, and may presage increased political warfare and guerrilla activities against South Korea.

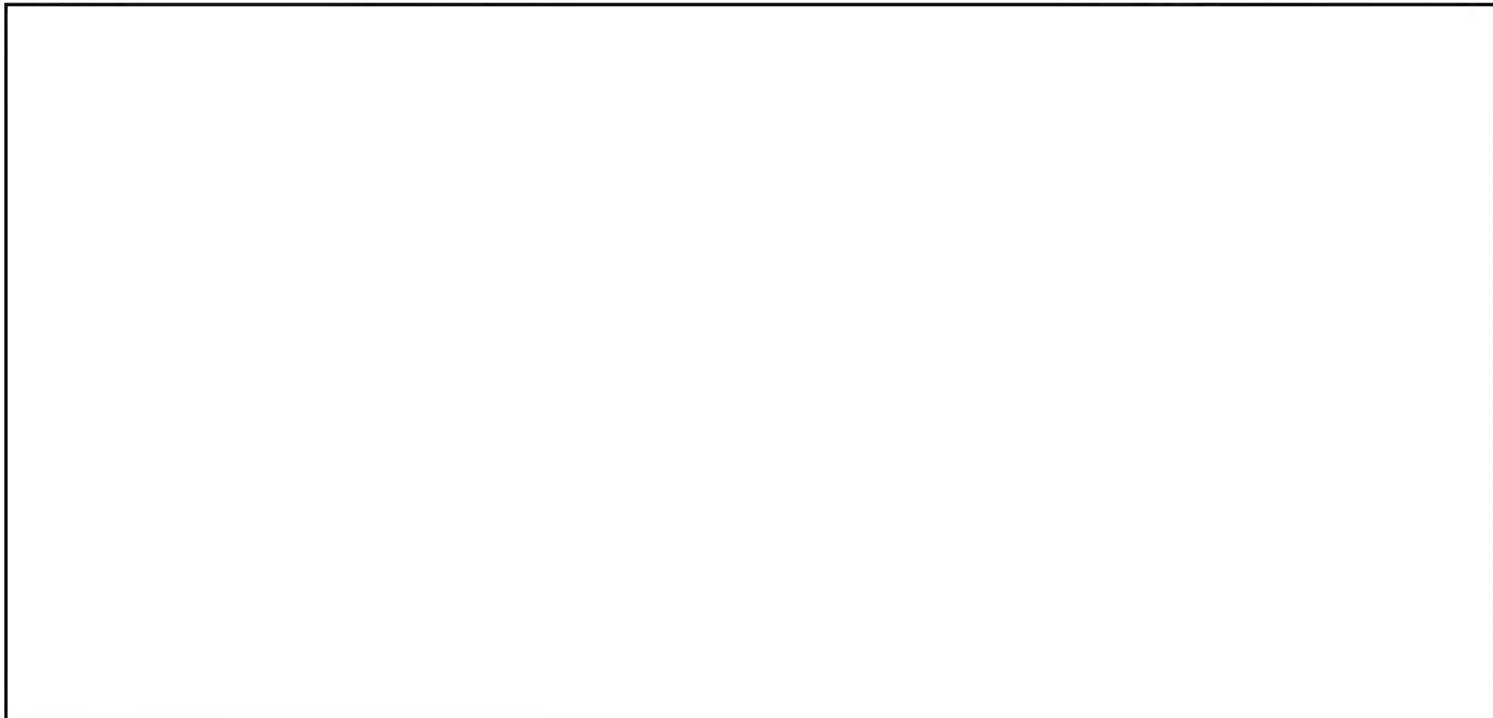
The convictions, however, actually weaken the North Korean position since the leaders affected are those on whom Pyongyang would have to depend primarily for communizing South Korea. Therefore the convictions may also mean that the North Koreans have abandoned hope that they can secure control over the entire peninsula in the foreseeable future, by elections or other means.

It is also possible that the domestic faction held nationalist views on unification unacceptable to over-all Communist objectives or was believed to have been penetrated.

There is no information connecting the convictions with the Beria purge or with possible differences between the Soviet and Chinese-oriented factions of North Korean leaders.

25X1A

9 Aug 53



WESTERN EUROPE

6. USSR proposes bilateral talks with France on German problem:

25X1A



According to the secretary general of the French Foreign Ministry, the new Soviet ambassador in Paris on 31 July and 1 August suggested to French ambassador Joxe, then

in Paris, that bilateral French-Soviet talks were the best means of settling the German problem. Joxe immediately rebuffed the suggestion.

In the course of the conversation Soviet ambassador Vinogradov asserted that both France and the USSR had reason to fear German rearmament and questioned whether EDC was really in France's interest. He also stated that current Soviet policy is based on the possibility of "durable coexistence" of the Communist and capitalist worlds as well as on the principle that revolution is not an exportable commodity.

- 7 -

25X1A



9 Aug 53

Comment: This is the clearest indication to date that the USSR regards approaches to France, particularly for preventing Germany's integration into Western Europe, as the best means of weakening the Atlantic alliance. Last October important elements in the French Foreign Ministry gave serious consideration to Vyshinsky's similar approach to Ambassador Joxe. Now, however, the relaxation of tension in East-West relations affords the government various opportunities for meeting public demand for a detente.

- 8 -

25X1A

9 Aug 53